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Financial reports and audited financial statements, and reports of the Board of Auditors

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2005

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. In accordance with regulation 7.12 of the Financial Regulations and Rules of the United Nations, the Advisory Committee on Administrative and Budgetary Questions received copies (in advance form) of the financial reports, audited financial statements and reports of the Board of Auditors to the General Assembly for 15 entities of the United Nations system for the biennium ended 31 December 2005 and for the capital master plan for the year ended 31 December 2005. A list of the audit reports appears in paragraph 2 below. The report of the Board of Auditors on the accounts of the United Nations peacekeeping operations for the financial period from 1 July 2005 to 30 June 2006 (A/61/5, Vol. II, chap. II) will be considered by the Advisory Committee at its session in February and March 2007. The audit of the United Nations Office for Project Services (UNOPS) has been postponed at the request of its Executive Board (see A/61/182, para. 12). The Committee also had before it advance copies of the concise summary of principal findings and conclusions contained in the reports prepared by the Board of Auditors for the General Assembly at its sixty-first session (A/61/182) and the report of the Secretary-General on the implementation of the recommendations of the Board of Auditors on the accounts of the United Nations, the United Nations funds and programmes and the International Tribunals for Rwanda and the Former Yugoslavia for the financial period ended 31 December 2005 (A/61/214 and Add.1).

2. The Board issued unqualified opinions for 12 of the 15 entities and unqualified opinions with emphasis of matter for the remaining 3 (United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP) and United Nations Population Fund (UNFPA)). The reports include replies of the

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Administrations to the observations of the Board of Auditors, as well as additional information on measures taken to implement the recommendations of the Board. The Administrations have generally concurred with the recommendations of the Board and have proceeded, as and where appropriate, to implement them. In instances where the Administrations do not agree with the recommendations of the Board or are unable to begin implementation, they have provided an explanation. Upon request, the Advisory Committee was provided with the following table showing the type of opinion issued by the Board on the financial statements of each entity, as well as the number of recommendations accepted or disputed by each entity:

	Organization audited	*Type of opinion issued on the financial statements*	*Recommendations*		
			Accepted	*Disputed*	*Total*
1.	United Nations (A/61/5 (Vol. I))	Unqualified	177	3	180
2.	International Trade Centre (A/61/5 (Vol. III))	Unqualified	13		13
3.	United Nations University (A/61/5 (Vol. IV))	Unqualified	15		15
4.	United Nations Development Programme (A/61/5/Add.1)	Unqualified, with emphasis of matter	115		115
5.	United Nations Children's Fund (A/61/5/Add.2)	Unqualified	96		96
6.	United Nations Relief and Works Agency for Palestine Refugees in the Near East (A/61/5/Add.3)	Unqualified	34		34
7.	United Nations Institute for Training and Research (A/61/5/ Add.4)	Unqualified	22	1	23
8.	Office of the United Nations High Commissioner for Refugees (A/61/5/Add.5)	Unqualified	65		65
9.	United Nations Environment Programme (A/61/5/Add.6)	Unqualified, with emphasis of matter	26		26
10.	United Nations Population Fund (A/61/5/Add.7)	Unqualified, with emphasis of matter	42		42
11.	United Nations Human Settlements Programme (A/61/5/Add.8)	Unqualified	18	1	19
12.	United Nations International Drug Control Programme (A/61/5/Add.9)	Unqualified	31	4	35
13.	International Criminal Tribunal for Rwanda (A/61/5/Add.11)	Unqualified	33		33
14.	International Tribunal for the Former Yugoslavia (A/61/5/Add.12)	Unqualified	11	1	12
15.	United Nations Joint Staff Pension Fund (A/61/9)[a]	Unqualified[b]			21
16.	Capital master plan (A/61/5 (Vol. V))	Not available[b,c]			4

[a] The audit report on the accounts of the Joint Staff Pension Fund will be included in the report of the United Nations Joint Staff Pension Board.

[b] Reports on the implementation of the recommendations of the Board of Auditors are not yet available.

[c] The financial statements were consolidated with the report on the United Nations (A/61/5 (Vol. I)).

3. The observations and comments of the Advisory Committee on the report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2003 will be submitted separately to the General Assembly at its sixty-first session in a report that will include the Committee's recommendations on the report of the Board on the United Nations Joint Staff Pension Board (A/61/9). Similarly, the Committee will comment on the audit reports on the International Criminal Tribunal for Rwanda (A/61/5/Add.11, chap. II), the International Tribunal for the Former Yugoslavia (A/61/5/Add.12, chap. II) and the capital master plan (A/61/5, Vol. V, chap. II), in the context of its consideration of the biennial budgets of the Tribunals and the report of the Secretary-General on the capital master plan.

4. Many of the issues covered by the Board with respect to the United Nations may have relevance to other reports that the Advisory Committee expects to take up during its current session. These include reports on the reform of the Organization, cost accounting, human resources management, after-service health insurance and the United Nations system response to the Indian Ocean tsunami. The Committee will comment further and draw upon the Board's observations on such matters in the context of its consideration of those reports.

5. The Advisory Committee also expects to revisit as necessary the observations and recommendations of the Board of Auditors and the other issues discussed in its reports on the financial statements of funds and programmes during the Committee's review of the biennial budgets of those entities for the next fiscal period.

6. During its consideration of the reports, the Advisory Committee met with the members of the Audit Operations Committee, who provided additional information and clarification.

II. General observations and recommendations

7. **The Advisory Committee welcomes the continued efforts made by the Board to improve the structural presentation of its reports and recognizes the intensive work that has gone into producing them.** The Committee was informed that the Board had spent more than 2,466 person-weeks on audits during the audit cycle for 2004-2005. This included the peacekeeping audits but excluded senior management time, general coordination, assistance and training. During the audit period, the Board issued 186 management letters to organizations on matters of programme and financial management; these are not included in the Board's reports to the General Assembly.

8. The Board has, once again, included observations and recommendations on a number of cross-cutting issues, such as non-expendable property; liabilities for annual leave, end-of-service and post-retirement benefits; programme expenditure; treasury and cash management; funding strategies; inter-agency coordination; emergency response; procurement and contract management; human resources management; information technology; and fraud and presumptive fraud. **The Advisory Committee welcomes the thematic approach and believes that, if further refined, it could help the Board to streamline its reporting; the Committee has long been of the view that it is essential for the Board to find a way to condense and prioritize the information in its reports in order to maximize their usefulness.**

9. **As a starting point, the Advisory Committee recommends that, for each "theme", the Board describe why it took the approach it did and what sort of risk assessment it made that led it to focus on certain aspects of an issue. Such a description would have the advantage of providing an overall picture of the problem being addressed and might eliminate the need for some supporting examples and details, which could instead be conveyed to the Administrations in management letters. In this connection, the Committee reiterates its encouragement to the Board to examine the scope and number of issues that should be addressed to the Administrations in management letters, with a view to further streamlining the audit reports to the General Assembly** (A/59/400, para. 7). Furthermore, this approach could give greater coherence to sections of the Board's reports, such as that on programme management and results-based budgeting (see A/61/5 (Vol. I), chap. II, sect. C.10), which appear to cover a broad range of loosely related topics.

10. The Board has included an annex that shows the status of implementation of the Board's recommendations as at 31 December 2005. Upon request, the Advisory Committee was provided with the following table showing the total number of recommendations and the status of implementation by biennium since 2000-2001:

Status of implementation of recommendations

(For the period ended 31 December 2005)

Period covered	*Number of recommendations*	*Fully implemented*	*Partially implemented*	*Not implemented*
2000-2001	360	301	50	9
2002-2003	476	282	170	24
2004-2005	692			

11. **The Advisory Committee is of the view that the Board could cast its recommendations in clearer and stronger language with more specific benchmarks and time frames for implementation.** Many of the Board's recommendations are formulated in such a general way that they achieve little beyond highlighting what the Administrations already know they should strive for. Examples of this include the recommendation that the Administration "remind all departments, divisions and offices to submit procurement plans, and monitor their submissions" and the recommendation that the Administration "continue to take appropriate measures to achieve the goal of gender parity in the Secretariat" (A/61/5 (Vol. I), chap. II, paras. 16 (x) and 16 (cc)). The Committee also points out that the Board does not indicate which recommendations are of an urgent nature, requiring immediate action by Administrations, and which could be implemented over a period of time. **While the Committee understands that it is the Board's position that the implementation and prioritization of its recommendations are the purview of the Administrations involved (see A/60/784, para. 7), it is of the view that the Board could give some indication as to the degree of the problem identified, as well as whether there has been any improvement in cases where it has reiterated a previous recommendation.**

12. **The Advisory Committee reiterates the importance of full and timely implementation of the recommendations of the Board and of other oversight**

bodies. In this connection, the Committee recalls paragraph 12 of General Assembly resolution 60/254, in which the Assembly stressed the importance of ensuring the full implementation of the recommendations of oversight bodies and requested the Secretary-General to ensure that managers are held accountable for the delay or non-implementation of oversight recommendations. It appears to the Committee from its discussions with the Audit Operations Committee that a major part of the problem in implementation relates to the seeming inability of Administrations to pinpoint the officials responsible for carrying out the Board's recommendations. **In this connection, the Committee reiterates its view that there is a need for further efforts to develop a strong culture of accountability within the United Nations and its funds and programmes, as well as to ensure that implementation of the Board's recommendations becomes an integral part of the work plans, activities and processes of the organizational units concerned (see A/59/400, para. 11). A clear definition of accountability, including identification of officials responsible for the implementation of the recommendations of the Board, is also necessary. The Committee trusts that the internal Oversight Committee, which is to advise the Secretary-General on the response of management to the recommendations made by oversight bodies (see ST/SGB/2005/18), will have a positive impact in this regard, once it is fully operational.** The Committee notes that the Oversight Committee has not yet been constituted.

13. **The Advisory Committee encourages the Board of Auditors to continue its coordination and collaboration with other oversight bodies, including the Office of Internal Oversight Services, internal audit services of the United Nations funds and programmes and the Joint Inspection Unit, in order to avoid duplication of effort and ensure optimal use of audit resources. In this regard, the governing boards of the funds and programmes may wish to look at the Advisory Committee's report in conjunction with the reports of the Board and the recommendations of the General Assembly.**

III. United Nations

14. The main recommendations of the Board on the accounts of the United Nations for the financial period ended 31 December 2005 are indicated in paragraph 16 of its report (A/61/5 (Vol. I), chap. II). In the paragraphs below, the Advisory Committee highlights a number of key issues concerning the United Nations. Many of the observations and recommendations of the Committee in this section also apply to the other organizational entities covered by the Board's audits. Observations and recommendations relating solely to the other organizational entities are set out in section IV below.

Liabilities for annual leave, end-of-service benefits and post-retirement benefits

15. For the United Nations, the estimated liabilities for after-service health insurance, accrued annual leave and termination benefits amounted to $2.3 billion as at 31 December 2005 (see annex I below). In its previous report, the Board recommended that the Administration review the funding mechanism for end-of-service and post-retirement benefits. In response, the Administration proposed funding mechanisms for its estimated liabilities for after-service health insurance but did not explore funding mechanisms for its accrued annual leave and other

termination benefits, which were estimated to be between $218 and $228 million (see A/61/5 (Vol. I), chap. II, para. 132).

16. By its resolution 60/255, the General Assembly requested the Secretary-General to take the necessary steps to disclose liabilities for end-of-service accrued benefit liabilities in the financial statements. The Assembly also requested the Secretary-General to submit to it at its sixty-first session a report that addresses the issue of the after-service health insurance programme, as well as the issues raised by the Advisory Committee in its report on the subject (A/60/7/Add.11), and that provides updated information on the status of liabilities, clarifications with regard to the assumptions used to determine liabilities and alternative strategies to fund those liabilities. A decision by the Assembly on this matter is pending. The Advisory Committee will revert to the issue in the context of its consideration of the above-mentioned report of the Secretary-General.

17. The Advisory Committee was informed that progress continues to be made in some of the funds and programmes, with some governing boards making provisions to build up the resources for the funding of end-of-service benefits, while others are awaiting a decision by the General Assembly (see paras. 42 and 43 and annex I below).

18. The Advisory Committee notes that the International Public Sector Accounting Standards, which are intended to be instituted system-wide by 2010, will require the disclosure of such liabilities in the financial statements. **High priority should therefore be accorded to this issue. The Committee trusts that the Secretary-General will submit his report on the issue as early as possible in the main part of the sixty-first session.**

Information and communication technology

19. The Advisory Committee notes the progress cited by the Administration as regards system-wide coordination in the area of information and communication technology (ICT). As noted in paragraph 225 of the report of the Board, the United Nations System Chief Executives Board for Coordination (CEB) has made progress in establishing the United Nations system ICT framework, its elaboration into specific initiatives and projects, including a knowledge-sharing and knowledge management strategy, and initiating the preparation of business-case analyses for eight priority initiatives to be implemented by the organizations of the United Nations system. **The Committee welcomes these developments and emphasizes the importance of close cooperation and coordination across the system, in particular through CEB.**

20. The Advisory Committee discussed with members of the Audit Operations Committee the technical difficulties encountered by the funds and programmes in the implementation of new enterprise resource programme (ERP) systems. **The Committee urges the Administration to take lessons from the relevant experiences of the funds and programmes and review existing procedures, regulations and rules so as to ensure that they are updated to be, to the maximum extent possible, accommodative of the new ERP. This would help minimize the need for customization.** The Committee discusses the experiences of the funds and programmes in some detail in paragraphs 74-80 below.

Programme management and results-based budgeting

21. The section on programme management and results-based budgeting of the Board's report deals with widely divergent issues, such as conference-servicing at Headquarters and in Geneva, utilization of the conference centre of the Economic Commission for Africa (ECA), disproportionate actual outputs against resource utilization, programmatic coordination in ECA, cooperation between the Economic Commission for Europe (ECE) and other international organizations, agreement between ECE and the International Road Transport Union, the Development Account, self-evaluation of subprogrammes, workplans and staff travel costs. **In the opinion of the Advisory Committee, this section of the Board's report represents a clear case where an explanation of the considerations underlying the Board's choice of focus would have been useful (see para. 9 above). Furthermore, a number of these issues are dealt with rather extensively in other reports. The Committee recommends that the Board reconsider the structure of this section with a view to making it more focused and reader-friendly.**

Treasury and investment management

22. **The Advisory Committee concurs with the Board's findings concerning Treasury and investment management and encourages the Administration to implement the recommendations of the Board in a timely manner.** Among other things, the Board notes that the processing of tracking and validation of cash could be readily set up in the Operations Processing Integrated Control System. The Board also notes that the approximation of the expenses relating to the Treasury cash management application could be further improved by applying a more comprehensive and accurate method using historical expenditure rather than budget estimates.

23. The Advisory Committee notes that the timely reconciliation of all accounts is a prerequisite for migration to the International Public Sector Accounting Standards, which is to be effected system-wide by 2010. **Accordingly, training for accounting and administration staff, as well as managers and users of the financial statements, will need to be undertaken well in advance. In this regard, the Secretariat should take lessons from the funds and programmes and the specialized agencies, some of which will be migrating to the International Public Sector Accounting Standards in advance of the United Nations.**

Procurement and contract management

24. As noted in paragraph 506 of the report, in view of the recent review of the United Nations Procurement Service by an external consulting firm, the Board has focused its audit of procurement and contract management primarily on determining the status of implementation of previous recommendations.

25. The Board highlights numerous examples of failure to comply with financial rules and regulations, the Procurement Manual and General Assembly resolutions on procurement. The United Nations Interregional Crime and Justice Research Institute, though it has procured various items and services, has never been issued a formal delegation of procurement authority, contrary to United Nations financial rule 105.13 and paragraph 3.2 of the Procurement Manual. The delegations of procurement authority at the United Office at Geneva were not fully in line with

United Nations rules. Annual procurement plans were not submitted by a number of departments, divisions and offices, in contravention of paragraph 7 of General Assembly resolution 52/226 A and paragraph 8.1.1 of the Procurement Manual. The requirement for financial statements from vendors in section 7.5 of the Procurement Manual was not adhered to in the cases of five out of the eight vendors selected by the Board as samples at the Economic and Social Commission for Western Asia. At several offices away from Headquarters, contracts and/or purchase orders were awarded to vendors that were not registered in the vendor roster.

26. The Advisory Committee recalls that the Board has, in the past, noted numerous instances of unexplained non-compliance with manuals, guidelines and regulations (see A/60/784, para. 9). **The Committee considers such deviations or failures to adhere to regulations and rules very serious, as they open up the possibility of fraud and/or abuse. The responsible officials should be identified by the Administration and held accountable.**

27. The Board refers to a number of issues relating to procurement personnel. It notes, for example, that the average seniority of the 17 staff involved in procurement at the United Nations Office at Geneva exceeded six years (see A/61/5 (Vol. I), chap. II, para. 513). **The Advisory Committee concurs with the Board that periodic rotation of staff responsible for procurement services represents good internal control and is in keeping with best practices. Furthermore, in the view of the Committee, Administrations should consider the possibility of mobility in procurement functions not only within the United Nations but also between the United Nations and its funds and programmes.** The Committee expects to take up matters relating to mobility in the context of its consideration of human resources management issues.

Human resources management

28. By section V, paragraph 4, of its resolution 59/266, the General Assembly requested the Board to conduct an audit of the implementation of the principle of equitable geographical representation in the Secretariat at all levels, as set out in the relevant resolutions of the General Assembly, and to verify the application of established measures of transparency and accountability at all levels of the selection, recruitment and placement process in compliance with relevant resolutions of the Assembly. In section C.15 of its report (A/61/5, (Vol. I), chap. II), the Board provides some statistical information on equitable geographical representation, with a particular emphasis on the national competitive recruitment examinations. **This treatment does not appear to the Advisory Committee to cover much territory beyond that covered in the annual report of the Secretary-General on this matter. In fact, the Board's recommendations in this area are extremely general. Moreover, the report of the Board does not respond to the rest of the request by the Assembly, as outlined above; in the opinion of the Committee, the Board is yet to submit the audit requested.**

29. The section also deals with other issues, such as gender balance in the Secretariat, the detailed staffing table under the personnel module of Integrated Management Information System (IMIS), filling of vacancies, staff grading and staff training. The Advisory Committee will take up these issues in the context of its consideration of the Secretary-General's report on human resources management reform.

30. The Advisory Committee requested a clarification concerning the statement in paragraph 603 of the Board's report that, of 156 recruits from the roster of successful national competitive examination candidates, 47, or 30 per cent, were from over-represented Member States. The report does not contain an analysis of the reasons behind this, and the Audit Operations Committee was unable to fully explain it. Indeed, the Committee notes from the report of the Secretary-General on implementation of the recommendations of the Board that the Administration disputes some of the figures quoted by the Board in that section (see A/61/214, para. 119). **The Committee therefore requests that a full explanation be provided to the General Assembly when it takes up the report, including provision by the Secretariat of complete statistics for the last three years.**

31. The Advisory Committee notes that for ECE and the United Nations Conference on Trade and Development (UNCTAD), the Board refers to the percentage of staff from a particular region, implying over-representation (see A/61/5 (Vol. I), chap. II, paras. 615 and 620). **The Committee recalls that the system of equitable geographical representation as conceived by the Assembly is on the basis of countries and not of regions or continents (see General Assembly resolution 59/266, sect. IV, para. 7).**

Consultants and individual contractors

32. Section C.16 of the Board's report gives an outline of problems uncovered by the Board in its review of adherence to administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors. Examples of these included the lack of a roster of consultants, the selection of consultants not on the roster in some cases, the lack of supporting justifications or documentation for the selection of candidates for consultants, the fact that consultants and contractors were allowed to commence work prior to the approval of their contracts or without submission of health certificates, and the lack of performance evaluation. **The Advisory Committee concurs with the Board's recommendation that the Administration make more of an effort to ensure strict adherence to the administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors.**

Response of the Office for the Coordination of Humanitarian Affairs to the Indian Ocean tsunami

33. The Advisory Committee welcomes the Board's report on its audit of the response of the Office for the Coordination of Humanitarian Affairs to the tsunami in December 2004 in South-East Asia (see A/61/5 (Vol. I), chap. II, sect. C.17). **The Committee appreciates the clear language and coherence of the report, as well as its judicious mix of details and general principles to be acted upon. The Committee concurs with the Board's recommendations and believes that its findings will be of value to the Office for the Coordination of Humanitarian Affairs and to other organizations of the United Nations system in future planning for large-scale disaster relief (see also paras. 60-63 below).**

34. The Board finds that difficulties in the identification and recruitment of a sufficient number of qualified staff were among the most serious obstacles to the effectiveness of the Office for the Coordination of Humanitarian Affairs in the tsunami response operation. It also notes that when the tsunami struck, the Office

did not have a ready roster of staff members willing to be redeployed to take part in emergency relief operations. Furthermore, 17 per cent of the posts on the Office's Geneva staffing table were vacant at that time, hindering its ability to respond quickly and effectively to the administrative and financial challenges of the operation. The Board also uncovered numerous problems relating to financial and budgetary controls. It points, for example, to the difficulties created by the need to reconcile two incompatible information systems, IMIS and the Atlas system of UNDP, and notes that between the drafting of the cost plans and the financial statements a total of six manual operations must be performed, each of which presents a risk of error in the recording of allotments or expenditures.

35. Another exacerbating circumstance was that when the tsunami struck, the Office for the Coordination of Humanitarian Affairs was about to reorganize its management structures to combine desk functions for both complex emergencies and natural disasters under one division in New York. At the time, natural disasters were dealt with from Geneva and the political aspects of complex emergencies from New York. However, this division of responsibilities was not strictly followed, as the New York Office took a leading role in the operation. The nomination of the Deputy Emergency Relief Coordinator as Special Coordinator for the Secretary-General for the Tsunami Response, followed by the designation of the Secretary-General's Special Envoy for Tsunami Recovery, added to the complexity of reporting lines from the point of view of the field. As noted by the Board, the deployment of staff to the field by the Office for the Coordination of Humanitarian Affairs in New York without prior consultation with the Office for the Coordination of Humanitarian Affairs in Geneva or the field was an illustration of the risks involved in the dual accountabilities. The Advisory Committee notes that the Administration is addressing this problem through the reorganization of New York and Geneva desk functions and the development of clearer standard operating procedures and guidelines. It has also requested an Office of Internal Oversight Services evaluation of the planned merger.

36. Upon enquiry, the Advisory Committee was informed that a comprehensive report on the United Nations system-wide response to the tsunami would be finalized in December 2006. The Committee will revert to the matter, as necessary, upon receipt of the expected report.

Fraud and presumptive fraud

37. As noted in paragraph 851 of the Board's report, the Administration reported a total of seven cases of fraud and presumptive fraud for the United Nations for the biennium ended 31 December 2005. Upon request, the Advisory Committee was provided with a table showing reported cases of fraud and presumptive fraud for the biennium by organization (see annex II below).

IV. Funds and programmes

Non-expendable property

38. The Board modified its opinion on the financial statements of UNEP, drawing attention to the valuation of non-expendable property items on the inventory report at fair market value instead of at acquisition cost. The discrepancy between the value of non-expendable property as disclosed in the notes to the financial statements and the aggregate of the inventory report amounted to some $10 million. The Board reported other examples of deviations from existing rules and regulations at UNEP, such as the non-submission of physical inventory reports by out-posted projects and regional offices, the absence of valuation of certain inventory items and the non-issuance of personal property receipts for portable items. The Board also noted that the recording and maintenance of property records and reporting of the value of non-expendable property continue to present deficiencies at the United Nations Human Settlements Programme (UN-Habitat), UNEP, the United Nations Children's Fund (UNICEF), the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations International Drug Control Programme (UNDCP). It was not possible to locate 2,549 assets with a total acquisition value of $1.4 million and depreciated value of $127,523 during a physical verification at UNHCR.

39. The Advisory Committee notes that the aggregated value of non-expendable property of the United Nations and its funds and programmes stood at approximately $1.1 billion as at 31 December 2005 (A/61/182, para. 17), the overall total remaining unchanged from the amount reported by the Board of Auditors for the biennium 2002-2003 (A/59/162, para. 25).

40. In its previous report (A/59/400, paras. 31-32) the Advisory Committee pointed out that weaknesses in the control of non-expendable equipment, including inventory management, appeared to be a problem of a semi-permanent nature in most organizations of the United Nations system, and that the lack or inadequacy of proper information systems tended to aggravate the situation further. The Board of Auditors has followed up and reported on this matter over numerous bienniums, in detail, and accumulated considerable experience and knowledge of the management of non-expendable property across the system. **In the opinion of the Committee, the Board should now be in a position to draw clear conclusions from the observed facts and findings, and judge whether any recommendations implemented have been effective and led to real improvements or whether, on the contrary, the situation has remained unchanged or even deteriorated. Similarly, the Board could indicate whether delays and partial implementation or non-implementation of previous recommendations are justified, or appear to be due to a lack of effort or management commitment. A more forceful and explicit reflection of the Board's assessment of the situation in its recommendations and reports could lead to greater transparency and accountability** (see also para. 11 above).

41. **In this connection, the Advisory Committee cautions that with the adoption of International Public Sector Accounting Standards and full accrual accounting, non-expendable property and inventory will appear as assets on financial statements and have to be capitalized and accounted for. The integration of non-expendable property into the accounting system will require**

a systematic, comprehensive and accurate recording of such equipment into information systems, both at Headquarters and in field offices. This requirement could represent a considerable challenge, given the existing gaps in data entry and discrepancies between inventory reports and physical counts, as well as other weaknesses highlighted in the reports of the Board of Auditors, both at the United Nations and in the funds and programmes (A/61/182, paras. 17-18). The Committee recommends that each organization establish workable procedures with strong internal controls in this regard. Furthermore, rational valuation methods for recording and depreciating assets and for determining the cost basis for inventory items should be developed and harmonized between all organizations of the United Nations system. Pending the implementation of the International Public Sector Accounting Standards and accompanying new procedures and information systems, the Committee reiterates that it is necessary for Administrations to strictly adhere to the rules, regulations and procedures that have been promulgated and issued (A/59/400, para. 32).

Liabilities for annual leave, end-of-service and post-retirement benefits

42. Upon request, the Advisory Committee was provided updated information on liabilities for annual leave, end-of-service and post-retirement benefits as at 31 December 2005 (see annex I below and paras. 15-18 above).

43. The Advisory Committee notes from the table provided by the Board of Auditors that UNDP and UNICEF have already taken steps to make some provision for the funding of these liabilities. However, in view of the level of resources in question and their foreseeable growth, as well as the long-term implications of the funding strategies adopted and their potential impact on the financial situation of the organizations, the Committee previously recommended that the issue of the United Nations liability related to after-service health insurance benefits be addressed on a system-wide basis (see A/52/7/Rev.1); that recommendation was endorsed by the General Assembly in its resolution 52/220 (see para. 16 above). **In the view of the Committee, timely guidance from the General Assembly on this issue is essential.**

Programme expenditure

44. The Board modified its opinion on the financial statements of UNDP and UNFPA to emphasize its concerns regarding audit reports issued by independent auditors for nationally executed projects, which reflected significant numbers of qualifications. The extent and impact of project audit qualifications could not be properly assessed, since, as of June 2006, these had yet to be analysed. The Board was therefore not able to obtain full assurance that the funds provided for nationally executed expenditure had been properly utilized.

45. In the case of UNDP, for 2004, the quantitative impact of projects issued with qualified audit opinions was $33.5 million, or 2.5 per cent of the non-governmental organization/nationally executed expenditure project expenditure that was audited, composed of disclaimer of opinions ($10.5 million), adverse opinions ($10 million) and qualified opinions ($13 million). For the biennium 2004-2005, nationally executed projects subject to audit amounted to $3.2 billion, of which projects representing expenditure of $57.3 million were not planned for audit ($24.7 million

in the previous biennium). The Board pointed out that UNDP continues to select nationally executed expenditure projects for audit on the basis of an expenditure threshold of $100,000, whereas the UNDP programming manual stipulates that all nationally executed expenditure projects should be audited periodically. The Board reiterates its previous recommendation that UNDP intensify its efforts to complete a comprehensive database to facilitate the implementation of a risk-based assessment model for conducting project audits, in line with the UNDP programming manual. The Board made further recommendations (A/61/5/Add.1, paras. 158 and 161) to address weaknesses observed in the internal controls and procedures in respect of nationally executed expenditure projects. These included, for example, delays and omissions in the submission of project audit reports, which slowed down the review and action plan process, and lack of action in respect of those country offices responsible for nationally executed expenditure projects for which only qualified audit opinions were issued.

46. At UNFPA, programme expenditure of $195.6 million was executed by Governments and non-governmental organization partners during the biennium 2004-2005. The Board noted that annual project audit reports prepared by locally appointed project auditors, which were not always submitted or reviewed in a timely manner, reflected significant numbers of qualifications relating to such matters as insufficient documentation justifying expenses incurred, the non-recording of expenses incurred on financial statements, cash losses due to misappropriation of funds, inaccurate financial forms and missing bank confirmations. Furthermore, a quantified estimation of the financial effect of audit qualifications was not established. The Board indicated that in response to earlier recommendations, UNFPA had implemented an audit report database designed to assess project risk in country offices, but that the risk database was not yet functioning effectively and contained incomplete and in some cases inaccurate data.

47. **The Advisory Committee notes that UNDP and UNFPA have accepted the Board's recommendations regarding nationally executed expenditure (A/61/214/Add.1, paras. 24-25 an 380). It is concerned by the persistent gaps and weaknesses in the management of nationally executed expenditure and stresses the need for timely and full implementation of recommendations of the Board and other oversight bodies.**

48. With respect to outstanding advances, the Advisory Committee notes that UNDP national execution advances rose to $86.5 million as at 31 December 2005, 11 per cent more than at the end of the previous biennium, which is a lower rate than the overall increase of 21 per cent for nationally executed expenditure, and that UNDP has taken steps to identify and clear long-outstanding advances. In the case of the United Nations Office on Drugs and Crime (UNODC), the Board indicates that advances in the amount of $1.85 million were outstanding for 38 completed projects at the end of the biennium, and that all 12 of the projects reviewed by the Board, representing a total expenditure of $1.68 million, had been completed before the end of 1996. **The Advisory Committee agrees with the Board's recommendations that UNDP pursue its efforts to follow up on long-outstanding advances by finalizing the implementation of the reporting tool of the Atlas system and ensure regular monitoring of outstanding advances and that UNODC improve in terms of the financial closure of completed projects.**

49. The Board of Auditors, in its report (A/61/5/Add.5, chap. II, paras. 111-119), points to weaknesses in the monitoring of audit certificates submitted to UNHCR by its implementing partners, as well as inadequacies in the rules for partner audit certification in providing assurance about proper use of funds. **The Advisory Committee recommends the implementation of the Board's recommendations that UNHCR review the mechanisms for the audit of expenditure incurred by its implementing partners, assessing the efficiency of the procedures introduced in 2004 and enhancing monitoring in this regard, and that it review the timetable for submission of audit certificates.**

Reconciliation of accounts

50. In the case of UNDP, the Board modified its opinion with respect to the financial statements, pointing out that since monthly reconciliations, a key control, had not been prepared for headquarters and country offices during the biennium 2004-2005, fraud and errors could have remained undetected. The problem was compounded by the large number (615) of bank accounts held by UNDP, including 56 managed at headquarters and 536 at country offices, 6 payroll bank accounts managed by the United Nations Secretariat and 17 bank accounts managed on behalf of other United Nations agencies. A final reconciliation of all bank accounts for the financial statements for the biennium was carried out manually in December 2005. The Board noted that, owing to these weak controls and the lack of monthly reconciliations, differences between UNDP accounting records and those of other agencies persist in regard to the amounts owed to UNDP. These are summarized and explained in the report of the Board (A/61/5/Add.1, table II.2). Furthermore, the Board was unable to reconcile a difference of $5.6 million between UNDP and United Nations balances on the current account (see A/61/5/Add.1, chap. II, paras. 44-47).

51. The Advisory Committee recalls that it noted in its previous report the discrepancies in the accounting records and inter-agency balances of UNDP and UNFPA and various other agencies and that it was informed that UNDP expected to remedy the situation of inter-agency balances with the implementation of Atlas, its enterprise resource planning system (A/59/400, paras. 36-37). The Committee notes that Atlas was implemented in January 2004 and that the general ledger and bank reconciliation modules were not implemented in 2004. UNDP has accepted the Board's recommendations on bank and cash and inter-agency issues (A/61/5/Add.1, para. 11 (a)-(c)) and committed to their implementation as a matter of priority (A/61/214/Add.1, paras. 26-28). **The Committee shares the Board's concerns on the lack of basic financial controls and the delays accumulated in implementing the necessary Atlas modules. It urges the United Nations, UNDP, UNFPA and other partners to remedy the situation as a matter of the highest priority, in close coordination, adopting compatible, effective and harmonized working procedures wherever necessary.**

52. The Advisory Committee enquired as to the causes of the difficulties experienced by practically all organizations in administrating inter-agency fund transfers and in setting up streamlined, automated processes. It was informed by the Audit Operations Committee that it was necessary to ensure coherence and harmonization at many levels — for example, the adoption of common rules and business processes for end-of-period procedures and the development of compatible interfaces between the different ERP systems such as SAP or PeopleSoft. It was

further informed that the adoption of the International Public Sector Accounting Standards would constitute progress towards the harmonization of end-of-period times and procedures and that the implementation of an effective, seamless mechanism for inter-bank reconciliations would constitute the first step towards the integration of inter-office operations.

Funding strategies

53. The funds and programmes and specialized agencies rely mostly on voluntary funding, including for their core budgets and activities. It is therefore essential that all organizations develop comprehensive funding strategies and principles to guide their fund-raising policies in order to support the objectives set by their governing bodies. The funding mix targeted, including earmarked, unearmarked and private contributions, should be aligned with the nature of the work and goals of the different organizations. The Board highlights the importance of proactively seeking private-sector alternatives to voluntary contributions from Member States and of allocating dedicated resources to fund-raising activities. **The Advisory Committee shares the Board's views that the organizations of the United Nations system should develop effective funding strategies and diversify funding sources as appropriate.**

54. **The Advisory Committee shares the Board's concern regarding the sustainability of UNHCR expenditures, as for the past six years expenditures have been higher than income, leading to stagnating reserve and fund balances at the end of the year (A/61/5/Add.5, chap. II, paras. 31-42).**

55. The Advisory Committee notes that the funding gap between total available funds and the UNHCR budget approved by the Executive Committee for 2005 amounted to $102.2 million, compared with $28.9 million in 2004, forcing UNHCR to impose a number of caps on programme budgets and non-staff administrative costs during the year (i.e., reduction in spending authority). Factors contributing to the situation included the fact that the contributions received did not keep up with the increase in the annual programme budget and the fact that a good portion of the contributions received went towards the supplementary programmes, as well as the organization's vulnerability in terms of foreign-currency fluctuations, which led to high exchange rate losses: $36 million in foreign exchange losses in 2005, compared with gains of $6.9 million in 2004 (A/AC.96/1026, para. 25). UNHCR ended 2005 having to borrow $12.2 million from the Working Capital and Guarantee Fund. Furthermore, since the approval of the annual programme budget for 2006 by the Executive Committee in October 2005, and again anticipating a funding shortfall, UNHCR had to introduce further caps on the programme budget, non-staff administrative costs and the operational reserve in late 2005, as well as budgetary reductions at headquarters in the second quarter of 2006.

56. The Advisory Committee considered the UNHCR proposed programme budget for 2007 (A/AC.96/1026 and Add.1). The Committee noted that UNHCR based its proposed budget for 2007 on 2006 austerity levels and included several initiatives to ensure financial stability. **The Committee stresses the importance of ensuring predictability, flexibility and early funding, particularly in the context of the upcoming biennial budget cycle, as well as of expanding the base, since 97 per cent of UNHCR resources come in the form of voluntary contributions. The Committee welcomes the implementation of centrally managed incentive-based**

fund-raising, at the field level, and encourages further efforts to increase private-sector funding. In this connection, the Committee notes that UNHCR has set a target of $100 million to be raised annually from private sources by 2010; an investment of $8.4 million in the 2007 budget for such activities is expected to generate $37 million in private-sector income in 2008 (A/AC.96/1026, para. 153).

Inter-agency coordination

57. The Board reviewed operational coordination during 2005 between agencies working on development, humanitarian assistance, environmental issues and post-conflict peacebuilding at the country level, within the context of policies and mechanisms established by the United Nations Development Group, namely, common country assessments, the United Nations Development Assistance Frameworks, the resident coordinator system, the joint office initiative and common premises and services. These aim to strengthen the coherence and effectiveness of the United Nations system's contribution to a country's development efforts, including progress towards the achievement of Millennium Development Goals, such as poverty reduction. The Board also reviewed inter-agency procurement.

58. In its concise summary of principal findings (A/61/182, paras. 65-121), the Board provides an extensive review of the implementation of these inter-agency coordination mechanisms. In general, the review shows that while the framework, guidelines and policies are in place, much remains to be done before the "United Nations mission or 'country presence' ... can truly function as one integrated entity" (A/59/2005, para. 198). Some of the impediments to a closer integration of all United Nations entities into a unified country presence are structural: for example, with respect to the joint office model, the fact that different agencies use different ERP systems, that certain agencies such as UNICEF and UNHCR have not yet extended their ERPs to country offices, and difficulties with respect to joint office budgeting and reporting to the participating agencies. Furthermore, agencies benefiting from free or preferential accommodation on the basis of their cooperation agreement with the host Government may not have an incentive to participate in the United Nations House initiative. **However, the Advisory Committee is convinced that a true integration of country teams at the operational level will require the involvement, determination and commitment of senior management to drive the process on a day-to-day basis. The Committee emphasizes the strategic nature of these initiatives, which are important elements of the Secretary-General's reform, and requests the Board of Auditors to follow up on this matter in its next audits.**

59. With respect to inter-agency procurement, the Advisory Committee welcomes the progress made with respect to the development and enhancement of common tools such as the vendor directory known as the United Nations Global Marketplace and the procurement services system, United Nations WebBuy. **The Committee agrees with the Board's observation on the absence of formalized processes and directives to ensure coordination in the area of procurement at the country office level, and that the Inter-Agency Procurement Services Office could play a key role in supporting resident coordinators in this regard (A/61/182, para. 107). In the light of the limited effective coordination and cooperation in the area of procurement, the Committee is of the view that the Inter-Agency Procurement Working Group could be more active in promoting inter-agency**

cooperation, disseminating information on the modernization of procurement practices and making proposals for the cost-effective sharing of procurement resources.

Response to the Indian Ocean tsunami

60. The Advisory Committee's comments on the tsunami response with regard to the Office for the Coordination of Humanitarian Affairs are contained in paragraphs 33-36 above. The Board's comprehensive review of the tsunami response assesses the emergency preparedness of the country teams, assessment needs methodology, the effectiveness of the immediate response to the tsunami, the effectiveness of system-wide coordination, civilian-military coordination, the transition from emergency relief to rehabilitation, the country team's anti-fraud strategy, monitoring of financial flows, financial controls, human resources mobilization and procurement, supplies and logistics management (A/61/182, paras. 122-151). The principal agencies involved in the response were the Office for the Coordination of Humanitarian Affairs, UNDP, UNHCR and UNICEF, as well as UNEP and UN-Habitat.

61. The Board indicated that the overall effectiveness of the immediate response was satisfactory, even though up-to-date emergency preparedness plans in the countries most affected — Indonesia, Sri Lanka and Maldives — were incomplete or non-existent.

62. The Board highlighted difficulties with respect to inter-agency coordination, due in part to the scale of the disaster and the number of participants, as well as in respect of civilian-military coordination. Moreover, the United Nations and its funds and programmes did not share a common rapid assessment methodology or a fraud-prevention strategy. Information generated by incompatible information systems, IMIS and Atlas led to significant delays (see para. 58 above). Financial controls with respect to cash assistance and verification of the capacity of implementing partners were insufficient. Significant numbers of staff were deployed to the affected areas, but there were some weaknesses in the emergency recruitment process and a lack of coordination, with UNDP, UNICEF and the Office for the Coordination of Humanitarian Affairs setting up separate rosters of emergency personnel. In a number of cases, items purchased remained unused, and the Board could not confirm that all contracts over $100,000 had been reviewed in accordance with procurement rules.

63. The United Nations response to the tsunami constituted a valuable opportunity to evaluate the actual effectiveness of the system-wide coordination, even though the scale of the disaster was somewhat atypical and extreme. **As indicated in paragraph 36 above, the comprehensive report on the United Nations response to the tsunami will be finalized at the end of 2006. The Advisory Committee will revert to this matter, if necessary, at that time.**

Procurement and contract management

64. The Board's findings indicate serious deficiencies across the system in a variety of procurement functions (A/61/182, paras. 152-165). UNICEF, the United Nations Office at Geneva and UNDP did not comply strictly with the rules and regulations regarding segregation of incompatible functions; for example, the same accounting officer certified and approved invoices with a value of $50,000 or more.

Procurement plans were not established at the United Nations, UNDP, UNHCR, UNICEF, UNEP, the United Nations University, UNDCP and UNFPA. Actual needs for equipment were not properly assessed, with items purchased remaining unused in several cases. Vendor databases were not updated in a timely manner (UNHCR), and they contained incomplete information on financial reliability, records of meetings, decisions and performance appraisals. In some cases, contracts were awarded to unregistered vendors and equipment was supplied without formal requisitions and purchase orders. The Board also observed shortcomings in respect of solicitation procedures, such as direct price negotiations between a requisitioner and a vendor.

65. **The Advisory Committee is deeply concerned by the widespread failure to comply with procurement rules and regulations. Given the highly decentralized organizational structure of some of the organizations, which operate across widely dispersed geographical settings, often under difficult conditions, with procurement levels in the millions of dollars, the risks of fraud, waste, mismanagement and abuse cannot be underestimated. In the view of the Committee, the United Nations rules and regulations, guidelines and policies on this subject are clear and comprehensive. It is essential that appropriate mechanisms for enforcing strict compliance with the regulations and appropriate sanctions for non-compliance be developed and promulgated as a matter of urgency. All failures to adhere to rules and regulations should be recorded and responsibility clearly attributed, with explanations and justifications for the decisions made (see also paras. 25-26 above).**

Human resources management

66. The Advisory Committee notes that UNDP, UNFPA, UNEP and the International Tribunal for the Former Yugoslavia have not yet achieved the 50/50 gender distribution goal and that at UNEP, UNDP and the Tribunal males continue to predominate in the number of initial appointments.

67. The Board pointed to the deficiencies in the emergency recruitment process during the human resources mobilization efforts for the tsunami response, in particular at UNDP and the Office for the Coordination of Humanitarian Affairs due to the absence of a roster of staff experienced in the management of humanitarian disasters. It points out that at UNFPA, the lead time for recruiting candidates was shortened by the use of rosters. **The Advisory Committee emphasizes that rosters constitute an essential tool for accelerating the recruitment process and encourages all organizations to maintain rosters and to update them regularly.**

68. With respect to geographical representation, the Advisory Committee notes that the Board provides a factual presentation (see also paras. 28-29 above). The Board indicates that at the International Tribunal for the Former Yugoslavia, with a total of 326 Professional-level positions subject to geographical representation, five developed countries were overrepresented, whereas at the United Nations Institute for Training and Research, the share of staff members from Europe and North America declined from 76 per cent in 2004 to 70 per cent in 2005. UNDP applies a North/South, or developed/developing countries, geographic balance factor in its selection processes, with a 50 per cent target for each category.

69. The Board reviewed the process of hiring, remunerating and evaluating the performance of consultants and individual contractors by UNEP headquarters and its

regional offices and noted numerous practices that were inconsistent with established rules (A/61/5/Add.6, chap. II, para. 89). For example, contrary to the provisions of ST/AI/1999/7, special service agreements were still used for consultants and individual contractors; individual contractors had been hired for a period of between 10 and 12 months during certain periods of 12 consecutive months; and there was no evidence that the selection process was based on the prescribed criteria, since the verification of the credentials, qualifications and experience of prospective candidates was not documented.

70. UNEP agreed with the Board's recommendations that it comply strictly with administrative instructions on hiring, remunerating and evaluating the performance of consultants and individual contractors and that it reprogramme the Integrated Accounting and Budgeting System to address the requirement concerning the form of the contract. **The Advisory Committee is concerned by the apparent lack of accountability in the face of what can only be considered serious violations of established rules. It requests that in such cases, responsibility for non-compliance with rules and regulations be clearly assigned and that all authorized sanctions be applied.**

71. At the International Trade Centre (UNCTAD/ITC), the Board noted that a total of 806 consultants were hired for technical cooperation activities, of whom 52 per cent originated from North America and Europe and only one third were female (A/61/5 (Vol. III), chap. II, para. 36). The Board pointed out that administrative instruction ST/AI/1999/7 requires that "every effort shall be made to select consultants from the widest possible geographical base" and recommended that ITC continue its efforts to improve the geographical and gender balance of consultants and experts.

72. The Board of Auditors points out that, as of May 2006, UNHCR had not fully implemented the previous Board recommendation that it completely phase out the use of project staff (A/61/5/Add.5, chap. II, para. 121). The Advisory Committee notes that, for two of the deployment schemes in case of emergency (surge and resettlement), UNHCR has signed agreements with two non-governmental organizations that maintain a roster of individuals who can be recruited for quick mobilization and deployment; UNHCR argues that staff so recruited should not be considered "project staff" (A/AC.96/1026, annex I.7) and that the use of project staff, as defined previously, has been eliminated.

Fraud and presumptive fraud

73. Upon request, the Advisory Committee was provided with a table on reported cases of fraud and presumptive fraud for the biennium ended 31 December 2005 (see annex II below). Paragraphs 281 to 284 of the Board's report on UNHCR (A/61/5/Add.5, chap. II) provide information on the reporting of 14 cases of fraud and presumptive fraud at UNHCR for the financial period ended 31 December 2005. The Committee was informed that internal control systems are planned to be further enhanced in 2007 to improve accountability and transparency, minimizing risks of mismanagement and waste. Measures taken up to now include strengthening the Inspector General's Office, a training programme for staff called for specific investigations as required, and increased efforts in communication. For example, in February 2006, UNHCR launched the Accountability Portal, accessible to all staff from the Intranet, which serves as a repository of information related to human and

financial resources and provides links to sources of information such as the Fraud Bulletin. **The Committee welcomes the measures taken and recommends that UNHCR continue to strengthen controls and mitigate the risk of fraud.**

Information and communication technologies

74. In the case of UNDP, the Board modified its opinion with respect to the new ERP system, highlighting its concerns on internal control deficiencies that existed during the biennium 2004-2005 and that had been reported previously, such as the lack of an adequate segregation of duties; the non-activation of the general ledger module for most of 2004; and the lack of an automated reconciliation between the subsidiary ledger and the general ledger bank account. The Board also noted that the UNDP global payroll and the trial balance of the Brazil country office were not being reconciled to Atlas on a monthly basis throughout the biennium 2004-2005.

75. As a result of these gaps, headquarters and country office bank accounts had not been reconciled on a monthly basis during the biennium 2004-2005 and it was not possible to implement a streamlined and automated bank reconciliation process. It was therefore necessary to carry out complex, manual bank reconciliations at the end of the biennium (see paras. 50-51 above).

76. The Board also followed up on the extensive recommendations made in its previous report (A/59/5/Add.1, chap. II, paras. 124-206) in respect of the pre-implementation of Atlas. This joint UNDP/UNFPA/UNOPS project was implemented in January 2004 at UNDP headquarters and at all country offices with the exception of the Brazil country office, which was already using another ERP system (SAP).

77. **The Advisory Committee endorses the Board's recommendation that UNDP urgently address weaknesses of the Atlas system.**

78. The Committee notes that the weaknesses of the internal control framework of the Atlas system noted above were identified by the Board in its previous report (A/59/5/Add.1, chap. II, para. 206) and resulted in the operational difficulties anticipated by the Board. Three reviews of the Atlas system have already been carried out by the Office of Audit and Performance Review of UNDP, and the various recommendations resulting from the reviews are in the process of being implemented.

79. **The Advisory Committee shares the Board's concerns with respect to the implementation of Atlas; it is now clear that the numerous risks inherent to the implementation of a system of this magnitude were not properly assessed in the pre-implementation phase. It is not clear, even at this stage, whether there is a full understanding of the challenges of maintaining such a system. The experiences of other agencies that have implemented ERP systems, such as the World Food Programme, point to further difficulties, as the system will need to be upgraded, due to changes either in the operating systems or in the versions of or support for the PeopleSoft software, which will be even more acute if the standard software implemented at UNDP has been customized extensively.**

80. **The Advisory Committee, the Board and the Joint Inspection Unit (see A/58/82) have consistently stressed the need for greater inter-agency cooperation on ICT matters throughout the United Nations system. In its previous report the Committee pointed out that the isolated implementation of**

ERP systems by individual organizations did not allow them to share economies of scale or returns on experience, and exposed them to greater risks. The Committee is not convinced that an objective, in-depth analysis of the feasibility of applying a common business model and standards to develop a solution that is applicable across the United Nations system has indeed been attempted. The upcoming adoption of the International Public Sector Accounting Standards, which will require many organizations that have already implemented an ERP system to upgrade to later versions of either SAP or PeopleSoft, and will require others, such as the United Nations, to migrate from IMIS to an ERP system by 2010, presents an opportunity for conducting such a study.

Annex I

Liabilities for annual leave, end-of-service and post-retirement benefits as at 31 December 2005

(Millions of United States dollars)

Organization	*Annual leave*	*Repatriation*	*After-service health*	*Total*
International Criminal Tribunal for Rwanda	10.6	7.9	24.7	43.2
International Tribunal for the Former Yugoslavia	4.2	5.3	17.5	27.0
International Trade Centre	1.9	4.5	41.2	47.6
United Nations	118 to 123	100 to 105	2 072.8	2 290.8 to 2300.8
United Nations Compensation Commission	0.7	1.4	2.9	5.0
United Nations Human Settlements Programme	Not available	Not available	Not available	—
United Nations International Drug Control Programme		7.4[a]	1.4	8.8
United Nations Development Programme	22.8	23.8	406.86	453.46
United Nations Environment Programme	Not available	Not available	Not available	—
United Nations Population Fund	7.6	8.3	61.6	77.5
Office of the United Nations High Commissioner for Refugees	24	145	249	418
United Nations Children's Fund	38.9	36.9	292.4	368.2
United Nations Institute for Training and Research	0.4	0.7	1.9	3.0
United Nations Relief and Works Agency for Palestine Refugees in the Near East	1.5	168.07	Not available	169.57
United Nations University	1.3	1.0	3.6	5.9
United Nations Joint Staff Pension Fund	Not available	Not available	Not available	—
Total	**231.9 to 236.9**	**510.3 to 515.3**	**3 175.86**	**3 918.03 to 3 928.03**

[a] Covers both annual leave and repatriation; the breakdown was not provided.

Annex II

Reported cases of fraud and presumptive fraud for the biennium 2004-2005

Organization	*Cases reported*	*Cases where estimated losses were determined*	*Estimated loss* (United States dollars)	*Amount recovered* (United States dollars)
United Nations	7	2	1 889	1 889
United Nations Development Programme	25	24	1 585 793	676 999
United Nations Population Fund	8	5	111 094	83 784
United Nations Human Settlements Programme	2	1	4 202	0
United Nations Children's Fund	42	41	482 979	210 884
Office of the United Nations High Commissioner for Refugees	14	11	169 156	7 207
United Nations Relief and Works Agency for Palestine Refugees in the Near East	11	1	24 647	5 990
International Criminal Tribunal for Rwanda	6	5	33 333	23 972
International Trade Centre	2	0	0	0
United Nations University	0	0	0	0
United Nations International Drug Control Programme/United Nations Office on Drugs and Crime	0	0	0	0
International Tribunal for the Former Yugoslavia	0	0	0	0
United Nations Institute for Training and Research	0	0	0	0
United Nations Joint Staff Pension Fund	0	0	0	0
United Nations Environment Programme	0	0	0	0
Total	**117**	**90**	2 413 093	**1 010 725**